

Press Release

RattanIndia Power Limited

May 12, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	910.00	ACUITE BB Stable Reaffirmed Negative to Stable	-
Non Convertible Debentures (NCD)	1350.00	Provisional ACUITE BB Stable Assigned	-
Bank Loan Ratings	250.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	2510.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 1,160.00 crore bank facilities of RattanIndia Power Limited (RPL). The outlook is revised to '**Stable**' from '**Negative**'.

Acuite has assigned its long term rating of '**Provisional ACUITE BB**' (read as **provisional ACUITE double B**) on the Rs. 1350.00 crore of RattanIndia Power Limited (RPL). The outlook is '**Stable**'.

The rating on the Rs.1350 crore proposed NCDs is provisional and the final rating is subject to (pending steps/ documentation)

1. Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions
2. All relevant documents related to the NCD Issue besides the above-mentioned documents.

Rationale for revision in outlook

The revision in outlook factors in the improvement in RPL's operating performance marked by improved revenue generation, higher cash accruals, and moderate collections of claims. The company generated a total income of Rs.2586.04 crore in 9MFY2023 as against Rs.3259.52 crore in FY2022 as against Rs.1559.86 crore in FY2021. The company has also received claims worth Rs. 114 crore in Q4FY2023. However, the rating remains constrained on account of delays in refinancing of term debt repayment obligation and elongation in the receivables position of the company.

About the Company

RPL was incorporated in the year 2007 as Sophia Power Company Limited, originally as a part

of Indiabulls group. The company changed its name to Indiabulls Power Limited after its listing on NSE as well as BSE in the year 2009. In 2014, subsequent to the group split along with Indiabulls Infrastructure and Power Limited, the company was carved out and renamed as RattanIndia Power Limited. RPL is promoted by Mr. Rajiv Rattan who is one of the co-founders of Indiabulls Group and currently holds the Chairmanship of RattanIndia Group. The company operates Amravati Thermal Power Project, located at Amravati district, Maharashtra with a total power generation capacity of 2,700 MW comprising of two phases of 1,350 MW each. Phase-I of the power plant (270 MW x 5 units) was commissioned in March 2015. Phase-II is at present stalled due to pertaining uncertainties associated with Power Purchase Agreement (PPA). However, it would be treated as separate account owing to the presence of ring-fenced mechanism prescribed by the lenders for the said project.

Analytical Approach

Acuité has considered the standalone view of business and financial risk profiles of RPL to arrive at this rating.

Key Rating Drivers

Strengths

Improvement in the operating performance

The company generated total income of Rs.2586.04 crore in 9MFY2023 as against Rs.3259.52 crore in FY2022 as against Rs.1559.86 crore in FY2021. The plant achieved Plant Availability factor (PAF) of 81.35% for FY2023 as against 86% for FY2022. The Plant Load Factor (PLF) is 77.18% for FY2023 as against 75.10% for FY2022. The operating profit margin improved and stood at 30.78% for 9MFY2023 as against 24.79% for FY2022 and 23.83% for FY2021.

Low reliance on e-auctioned/imported coal

RPL requires a minimum fuel supply of 5.90 MTPA to operate the plant at a normative level (availability factor of 85%). The company has signed Fuel Supply Agreement with Southeastern Coalfields Limited (a subsidiary of Coal India Limited) for 6.10 MTPA, which covers the majority portion of the requirement, resulting in lower reliance on e-auctioned/imported coal.

Weaknesses

Delay in resolving long-pending change in law claims

On 13th November 2020, company received a favourable judgment from APTEL in respect of long pending change in law claims, based on the consent by the counterparty MSEDCL, due to which RPL was set to recover ~Rs. 772 crore. The recovery got delayed and the claim amount increased to Rs.1157 crore as on 25 November,2021. Under the order passed by Supreme court on February 14, 2022, MSEDCL was directed to pay 50 percent of the claim amount to power generation companies. Accordingly, RPL was set to receive ~Rs.575 crore over the near term, out of which it has received an amount of Rs. 114 crore in Q4FY2023 resulting to total amount of the claim received to Rs.312.15 crore till date. In addition to this, company has also received Rs.116.19 crore against other disputed receivables during FY2023. Further, apart from the above claim, RPL expects to recover ~Rs.2800 Cr over the medium term from its various other pending litigations.

Acuite believes recovery of claims within estimated timeline is critical to support the liquidity position of the company. However, apart from the disputed receivables, company have been regularly receiving its undisputed receivables.

Counterparty risk

The Company is dealing with State Discom- MSEDCL, which exposes it to high counterparty risk. The total receivables rose to Rs. 2212.41 crore as on March 31, 2022 as against Rs.1951.34

crore as on March 31,2021. Further, as on September 30, 2022, the receivables remained in the same range and stood at Rs.2112.51 Crore. The receivables also include a notional interest component charged to long pending dues.

Acuite believes ability of RPL to prevent further elongation of receivables would be a key rating monitorable.

ESG Factors Relevant for Rating

RPL is a power producer based on thermal electricity. The advancing environmental risk emanating from new regulations may adversely impact the cost of generation. Environmental risk is a major issue for thermal power generators as coal based power generation causes significant environmental damage. While there have been some measures adopted to reduce the carbon emission, the reduction however is not uniform. The risks of regulatory constraints therefore continue to remain high for this industry and additional measures could lead to cost escalation.

On the social front, occupational and workforce health & safety management are of primary importance to this industry given the nature of operations. The policies on responsible procurement and handling of waste is important. Any increase in pollution levels is likely to create social unrest and political pressures. As thermal power plants also generate large amount of employment in local communities and are susceptible to unionization of labor force, managing social welfare of the local community is critical. RPL engages the local community for various services required namely car rentals, regular maintenance of various equipments, manpower supply etc. The Company also ensures 100% utilisation of fly ash generated due to burning of coal and utilisation of raw water used in the generation process towards other processes within plant facility.

On Governance front, the company has adopted requirement of Corporate Governance from Provision of Companies Act 2013 and SEBI (LODR) Regulations 2015. The board of directors comprises of professionals having expertise and experience in various filed such as construction, finance, banking, regulatory affairs, administration and management and technical operations of power plants. Hence, diverse board of directors ensures pooling of knowledge and balanced Board. An audit committee, comprising of 3 members has also been constituted by board. The two of them are independent directors and the third is promoter director. The Stakeholder's relationship committee has been constituted to assist the board in safeguarding the interests of and redressing the grievances of the security holders of the company.

Rating Sensitivities

- > Recovery of claims within expected tenure
- > Elongation of trade receivables
- > Timely refinancing of debt

Material covenants

None

Liquidity Position Stretched

The liquidity position of the company is stretched marked by tightly matching net cash accruals against the repayment obligations. RPL generated net cash accruals of Rs. 574 crore in FY2022 as against repayment obligations of Rs. 501.86 crore. Further the company was able to prepay its loan of Rs.254.73 crore during FY2023. Going ahead, the estimated net cash accruals are expected to be in the range of Rs.822.48 -905.15 crore per annum during the

period FY2023-2025 and the repayment obligation post the refinancing including redemption of preference shares are expected to be in the range of Rs. 472-722.01 crore during same period. The company has also received claims worth Rs. 114 crore in Q4FY2023. However, timely refinancing of debt still remains critical to avert further pressure on company's liquidity position.

Outlook: Stable

Acuite believes that RPL will maintain a 'stable' outlook on account of stable operating performance and will continue to derive benefits over the medium term due to extensive experience, presence of long-term PPA for entire capacity and low fuel supply risk. The outlook may be revised to 'Positive' in case the company registers higher-than-expected improvement in its business risk profile and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile or delay in realisation of receivables or refinancing of debt.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	3259.52	1559.86
PAT	Rs. Cr.	348.14	96.70
PAT Margin	(%)	10.68	6.20
Total Debt/Tangible Net Worth	Times	0.84	1.01
PBDIT/Interest	Times	1.98	1.49

Status of non-cooperation with previous CRA (if applicable)

Brickworks vide its press release dated 29/12/2022, had denoted the company to BWR D/D; Issuer Not Cooperating.

Any other information

Supplementary disclosures for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating

1. Lack of third party monitoring of compliance in absence of executed trust deed and no finalized terms in absence of final term sheet
2. In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

B. Rating that would have been assigned in absence of the pending steps/ documentation
The rating would be equated to the standalone rating of the entity: ACUITE B / Stable Acuite Ratings & Research Limited

C. Timeline for conversion to Final Rating for a debt instrument proposed to be issued
The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Dec 2022	Proposed Cash Credit	Long Term	700.99	ACUITE BB Negative (Downgraded from ACUITE BBB- Negative)
	Bank Guarantee	Short Term	250.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Bank Facility	Long Term	209.01	ACUITE BB Negative (Downgraded from ACUITE BBB- Stable)
06 May 2022	Proposed Cash Credit	Long Term	700.99	ACUITE BBB- Negative (Reaffirmed)
	Bank Guarantee	Short Term	150.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	209.01	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	100.00	ACUITE A3 (Reaffirmed)
30 Jan 2021	Bank Guarantee	Short Term	209.01	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	100.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	150.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	700.99	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	250.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	700.99	ACUITE BB Stable Reaffirmed Negative to Stable
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	209.01	ACUITE BB Stable Reaffirmed Negative to Stable
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	1350.00	Provisional ACUITE BB Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Vaishnavi Deshpande Analyst-Rating Operations Tel: 022-49294065 vaishnavi.deshpande@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.